

## CALIFORNIA SMALL BUSINESS FACTS

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Small businesses play a crucial role in the California economy. They provide flexibility and quick response to economic changes. They also provide a pool of entrepreneurial experimentation from which successful firms emerge. And, small businesses provide economic opportunity.

This fact sheet uses a common definition of a small business: a business establishment with fewer than 100 employees.

- There were 1,052,250 small businesses with employees in California in 2001, the latest year for which data are available. Small businesses represent 98 percent of all California businesses with employees. More than 64 percent had fewer than five employees.
- Over 7.8 million people in California were employed by small businesses with employees. This represents half of all employment in the state. Small business employment increased by 38,000 in 2001, a growth rate of 0.5 percent over the employment level in 2000. That growth rate was slower than previous years, but it was typical for the end of a long economic expansion.
- Small business employment as a percent of total employment varies by industry sector. More than 80 percent of employment in real estate services is in small businesses. Other small business-dominated industry sectors are wholesale trade, construction, and retail trade. Restaurants were the largest small business employer in the state.
- The manufacturing industry with the most small business employment in 2001 was the metal products fabrication industry, followed by computer and electronic products manufacturing. Apparel manufacturing ranked third. Manufacturing in general has a below-average portion of employment in small businesses when compared to the economy as a whole, but there are exceptions within the manufacturing sector. The manufacturing industries of apparel and textiles, printing, and metal products fabrication are small business dominated.
- Not all small businesses have employees. Businesses with an owner and no paid employees are sometimes referred to as nonemployer businesses, and often are part-time ventures with individual owners operating more than one. The Census Bureau counted over 2.1 million nonemployer businesses in California in 2000, the latest year for which data is available. When compared to the nation, California nonemployer businesses are particularly dominant in the industries of information technology, scientific and technical services, and arts and entertainment services.
- California small businesses continue to gain the interest of venture capitalists, even during the recession. As of the third quarter of 2002, venture capital activity had fallen 85 percent from peak levels reached in the first and second quarters of 2000, both for the US and California. Even in these difficult times, CA firms still continue to capture over 40 percent of venture capital deals nationwide during the first three quarters of 2002.

Sources: California Employment Development Department, *Report 524, Third Quarter, 2001*. Released October 2002.  
US Census, *Census 2000*.